

CZECH REPUBLIC

Capital: Prague	Inflation: 4.5%
GDP per capita: \$5,262	Unemployment: 7.5%
Population: 10,300,000	Foreign Direct Investment: \$3,500,000,000

OVERALL RATING: 2.4

As of May 2000, there were close to 44,000 NGOs registered in the Czech Republic. The vast majority - 96% - of these are civic associations, while the remainder are foundations, foundation funds, public benefit organizations, and church-related organizations. It is estimated that two-thirds of the civic associations are active. Apart from the above-mentioned NGOs, there are around 4000 government owned non-profit organizations (ROPO) active in the Czech Republic.

The non-profit sector accounts for approximately 3% of total employment in the Czech Republic. Non-profit organizations operate in all regions. Although most of them are registered in Prague, Brno, České Budejovice and other big cities, many of them benefit the whole region, or in the case of foundations, the whole country. About a third of non-profit organizations operate at the local level, a third at the regional level and a third at the national or international level. The scope of services provided is wide, but citizens are not sufficiently informed about them.

The government does not perceive NGOs as partners yet and therefore the level of co-operation between the two is stagnant. The legislation governing NGOs contains many imperfections and ambiguities, thereby impeding NGO growth and development.

Government funding of NGOs decreases each year, corporate and individual philanthropy is still rare, and local grant-making foundations are still quite weak. As a result, there is a chronic lack of finances in the Czech non-profit sector that prevents NGOs from hiring a sufficient number of professionals, building a firm position in society, and getting properly involved in public policy.

There is a network of information centers for non-profit organizations, but it is not fully developed. To represent their interests more effectively, some NGOs have established coalitions on a regional or field-of-interest basis.

LEGAL ENVIRONMENT: 2.0

Activities of non-profit organizations in the Czech Republic are regulated by several laws, including the Law on Associating of Citizens of 1990, the Law on Foundations and Foundation Funds of 1997, the Law on Public Benefit Organizations of 1995, and the Law on Free-

dom of Religion and the Status of Churches and Religious Organizations of 1991. All of the above mentioned pieces of legislation are ambiguously written and therefore allow for various interpretations.

Current legislation also provides different opportunities to different types of NGOs to earn money through income-generating activities. Civic associations can earn money in the least restricted way, public benefit organizations' economic activities are more restricted and foundations are allowed to earn income only through specifically defined activities such as the rent of assets, organization of lotteries, public collections and cultural, sport and educational events. Given the lack of legal restriction on entrepreneurial activities by civic associations, this legal form is chosen by organizations even in cases when the public benefit organization status would be more appropriate.

Civic associations and church-related organizations register at the Ministry of Interior, while foundations, foundation funds and public benefit organizations register with the court. Registration itself is not a difficult process, but it takes approximately 6 months due to the backlog in the courts and the lack of technical equipment. In 1998, all foundations

were required to re-register under the new law – which requires, among other things, a minimum endowment – resulting in a significant decrease in the number of foundations. Foundations that were denied re-registration were either abolished or had to register as a different type of NGO.

According to the tax law, NGOs do not pay taxes on certain income categories, such as membership dues, gifts, and interest generated from a foundation's endowment. Non-profit organizations are exempt from paying taxes up to \$25,000 of income and can also deduct 30% of the base taxable income up to \$75,000. Nevertheless, tax obligations are still considered too high by NGO representatives. Donations to NGOs are tax deductible up to a percentage of taxable income. As a result of the tax situation, NGOs are highly dependent on government donations.

A base of legal experts on NGO laws has been developed to a certain level.

ORGANIZATIONAL CAPACITY: 3.0

Most NGOs now have defined missions that they try to fulfill through their activities, which also trying to generate public support for their activities. Nevertheless, because of financial uncertainty, some organizations focus too much on fundraising from the state and foundations, and therefore do not pay sufficient attention to building their membership and base of supporter. Many NGOs underestimate the fact that membership base development is important for increasing financial self-sufficiency and generating unrestricted money.

Over one-third of NGOs admit to having difficulties in recruiting volunteers, one-fifth experience problems in managing them, and many organizations realize

that they are not fully prepared to give the volunteers something to do. The idea of volunteering itself reminds many citizens of the communist past, when most people were forced to volunteer. Public polls showed that about 20% of Czechs occasionally volunteer for some non-profit organization.

Most NGOs do not use strategic planning techniques in their decision making process because they view themselves as being "too small" for it. The division of responsibilities between the Board of Directors and the staff is not always clear – about a third of NGOs do not even have a Board. In many organizations, members of the Board consider their position only as a formality neces

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sary to register an NGO, and therefore, do not take it seriously. Service providers have permanent paid employees, but the existence of many NGOs depends on a single person.

Larger organizations operating in cities and most environmental NGOs tend to have sufficient technical equipment and frequently work with the Internet. On the other hand, small regional NGOs struggle to get even basic equipment.

FINANCIAL VIABILITY: 2.0

A 1998 survey on the structure of finances flowing into the Czech non-profit sector showed that, on average, 30% of NGOs' income comes from government subsidies, 21% from individual donations, 17% from income generating activities, 18% from membership fees, 4% from local foundation grants, and 2% from foreign foundation grants, with the remaining 2% from other sources.

In 1998, the Czech government provided NGOs with \$75 million of support, which went primarily to organizations working in the fields of sports, health care, and social services. In 1999, government support declined to about \$57.5 million. Of this government funding, 82% was granted to civic associations, 14% to church-related organizations, and 4% to public benefit organizations. ROPO, or government-owned NGOs, have an advantage over other non-profit organizations because they are financed by the government automatically and therefore do not have to apply for grants. Other NGOs are required to submit projects on an annual basis and get state funding only for the period of one year, so that support for long-term projects is not guaranteed. The public financing system is not fully transparent and does not take the degree of public benefit into account. Furthermore, it is difficult to obtain timely and sufficient information regarding government tenders.

Domestic foundations provide limited support to NGOs, but do not have sufficient resources and/or endowments.

However, in 1999, their situation improved with the first distribution of the Foundation Investment Fund (NIF) which gives 1% of the proceeds from the second wave of privatization to domestic foundations. In 1999, \$12.5 million were distributed among 39 foundations to raise their endowments. In 2001, a second round of grants will be made in the amount of \$37.5 million.

Local corporate philanthropy is not fully developed yet, in part because of low limit for tax deductions and the lack of NGO experience in cultivating donors. Companies prefer sponsorship to making donations as their sponsorship contribution counts as an expenditure. Individual donors are still rare for many reasons, including lack of information about NGOs, lack of trust, and the difficult financial situation that many families face. NGOs are able to supplement their income through income-generating activities, but complicated accounting and tax regulations discourage this. Despite these difficulties, the proportion of funding from local resources and income-generating activities is gradually increasing.

In general, NGOs are too dependent on state funding. Government funding represents over half of the budget in a quarter of all NGOs that work mainly in health, social care, education and research.

The flow of foreign funding has decreased dramatically since 1997. Foreign funding was \$22.5 million in 1997,

and only \$6 million in 1999. As a result, organizations that were established and funded for a long time from foreign resources, particularly those in the areas of human rights and the environment, have experienced a sharp decrease in revenues.

NGOs are aware of the need to professionalize their fundraising activities; however, there is neither enough experience in this area nor appropriate training available.

ADVOCACY: 2.0

Some NGOs have started forming coalitions on a regional or field-of-interest basis. For example, good cooperation occurs among NGOs in the environmental field, who have been able to push through a number of changes in regional development plans and other projects. However, such coalitions are still not very common.

There are few formal mechanisms allowing NGOs to participate in the decision-making process. The extent to which NGOs can influence state administrative bodies largely depends on the attitudes and goodwill of individual officials. The Council for NGOs established by the government comments on new legislation, attempts to change the

system of state funding for NGOs, and tries to create space for NGO participation in decision-making at a regional level. The effectiveness of such activities depends on the members of the Council at a given time. Individual NGO experts are also occasionally consulted on draft legislation.

Advocacy campaigns, petitions, demonstrations, and blockades are quite common and sometimes very successful, although they do not always mobilize broad public support. In general, NGOs are too passive in advocating for their interests, tend to wait for an invitation from the government, and do not make sufficient use of opportunities provided by the current legislation.

SERVICE PROVISION: 2.0

The scope of services offered by NGOs covers basically all areas, and the services are usually available to the general public. The participation of Czech NGOs in humanitarian aid in the Czech Republic as well as abroad is significant and acknowledged by the public. The activities of some NGOs significantly contribute to the improvement of the situation of the handicapped and ethnic minorities, mainly Roma. In addition, some NGOs work to address the temporary housing needs of socially disadvantaged groups of citizens.

Needs analyses and assessment are not systematically carried out yet in the field of service provision. Since many NGOs are financially dependent on the state and compete to provide state-subsidized services, they do not conduct their own assessments of their clients' needs.

Although publications about the non-profit sector are not systematic, there are some available which are used by the state. Information about NGO services can be obtained either in NGO offices or in information centers. On the other hand, libraries and universities

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offer very few books about the non-profit sector.

Due to the rather extensive network of state-owned non-profit organizations

(ROPO), the government has little motivation to contract or cooperate with other NGOs to provide these services. However, NGOs are occasionally used because they are cheaper than ROPO.

INFRASTRUCTURE: 3.0

There is a lack of NGO information centers. The Prague information center that for years has been providing information to NGOs, organizing training programs and offering legal and financial consultations, recently curtailed its activities due to financial and management problems. Regional centers that were established by this organization in major cities work well, but their services are sometimes inaccessible for smaller NGOs that lack the necessary technical infrastructure.

Training for NGOs covers various fields, but there is a severe lack of trainers in some areas, especially fundraising,

board development, and organizational development.

Some NGOs work hard to develop cross-sectoral partnerships with local governments and businesses. Several umbrella NGO coalitions were formed and operate on a regional and/or field-of-interest basis. In general, cooperation between NGOs is not satisfactory due to limited access to modern communication technology and/or competition, which results in the fear of some NGOs to share information. Domestic grant making foundations support both nation-wide and local projects but their potential is still quite limited.

PUBLIC IMAGE: 3.0

In 1998, 1999 and 2000, the Prague information center and its regional branches organized information campaign called "30 Days for the Non-profit Sector". These campaigns succeeded in improving the NGO sector's cooperation with the media, although media attention of NGOs is still insufficient.

Many people do not fully understand the role of NGOs, much less recognize the names of individual NGOs or their activities. Foundations that organize public collections and therefore regularly appear in the media are generally better known. NGOs themselves often underestimate the importance of their public image. Due to the lack of information about NGOs, the public still tends to view the non-profit sector as untrust-

worthy. Moreover, many people rely on the state, which in their opinion is responsible for assisting people in need. Individual citizens begin to show an interest in NGOs only when they have a personal problem.

Some important representatives of the biggest political parties are even trying to discourage people from active participation in public matters, accusing NGOs of trying to replace public bodies. Government attitudes towards NGOs are reserved and wary. Government bodies make use of non-profit expertise only to a limited extent.

Foundations have adopted a code of ethics to make their activities more

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transparent. All recognized NGOs publish annual reports.